

**MAHASKA COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

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# MAHASKA COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Lawrence Rouw	Board of Supervisors	Jan. 2011
Greg Gordy	Board of Supervisors	Jan. 2011
Henry Van Weelden	Board of Supervisors	Jan. 2013
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2011
Diane Upton Crookham	County Recorder	Jan. 2011
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2011
Lindsey Thomas	County Assessor	Jan. 2016
(After January 2011)		
Ken Rozenboom	Board of Supervisors	Jan. 2015
Greg Gordy	Board of Supervisors	Jan. 2015
Henry Van Weelden	Board of Supervisors	Jan. 2013
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2015
Diane Upton Crookham	County Recorder	Jan. 2015
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2015
Lindsey Thomas	County Assessor	Jan. 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mahaska County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report March 15, 2012 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 12 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein). For the three years ended June 30, 2010 and the year ended June 30, 2005, we expressed unqualified opinions on those financial statements. For the two years ended June 30, 2007, we expressed a qualified opinion on the Secondary Roads Fund due to the effects of a written and held warrant and unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 15, 2012

# Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$15,230,476 for 2011, a decrease of 1.98% from 2010, or \$307,455. Property and other county taxes totaled \$8,167,296 for 2011, an increase of \$285,791 over the prior year. In the absence of federal stimulus monies that were received in 2010, intergovernmental revenue showed a decrease in the Secondary Road Fund of \$1,128,269. Intergovernmental revenue in the Mental Health Fund increased \$621,766, due primarily to allowable growth factor monies received from the state.
- County governmental funds functional expenditures totaled \$15,296,580 for 2011, a decrease of \$170,400, or 1.10%, from 2010 expenditures. Capital project monies in the amount of \$943,680 were expended in fiscal year 2011, primarily for an overlay project on County Road G5T.
- The County's governmental fund balances at June 30, 2011 were \$9,873,611, a decrease of \$66,104 due to the above noted factors.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

## **The County as a Whole Reporting**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### *Supplementary Information*

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position.

## STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES

Question	Answer	Question	Answer
1. What is the main purpose of the study?	To investigate the effect of the intervention on the outcome.	2. What is the research design?	A randomized controlled trial.
3. What is the population?	Adults aged 18 years and older.	4. What is the intervention?	The intervention group received the intervention.
5. What is the control?	The control group received the control.	6. What is the outcome?	The outcome was measured at the end of the study.
7. What are the results?	The results showed that the intervention had a significant effect on the outcome.	8. What are the conclusions?	The study concluded that the intervention was effective.
9. What are the limitations?	The study had some limitations, such as the small sample size.	10. What are the strengths?	The study had some strengths, such as the randomized design.
11. What are the implications?	The study has implications for practice and policy.	12. What are the future directions?	Future research should investigate the long-term effects of the intervention.
13. What is the conclusion?	The study concluded that the intervention was effective.	14. What is the recommendation?	The recommendation is to use the intervention.
15. What is the summary?	The summary is that the intervention was effective.	16. What is the key message?	The key message is that the intervention was effective.
17. What is the main finding?	The main finding is that the intervention was effective.	18. What is the overall conclusion?	The overall conclusion is that the intervention was effective.
19. What is the final statement?	The final statement is that the intervention was effective.	20. What is the last sentence?	The last sentence is that the intervention was effective.

The County's combined net assets showed a 7.59% increase from a year ago, from \$38,945,832 to \$41,902,707. The largest portion of the County's net assets is the Invested in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

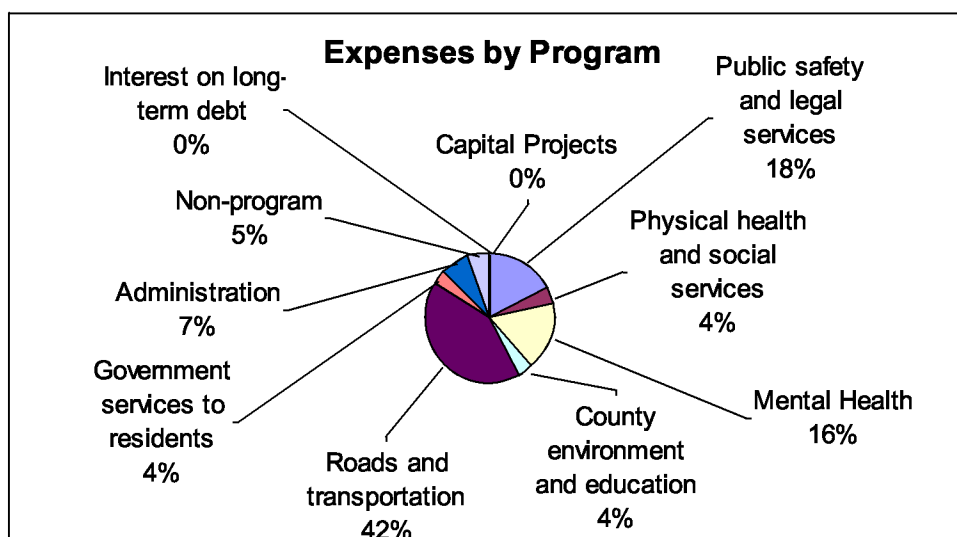
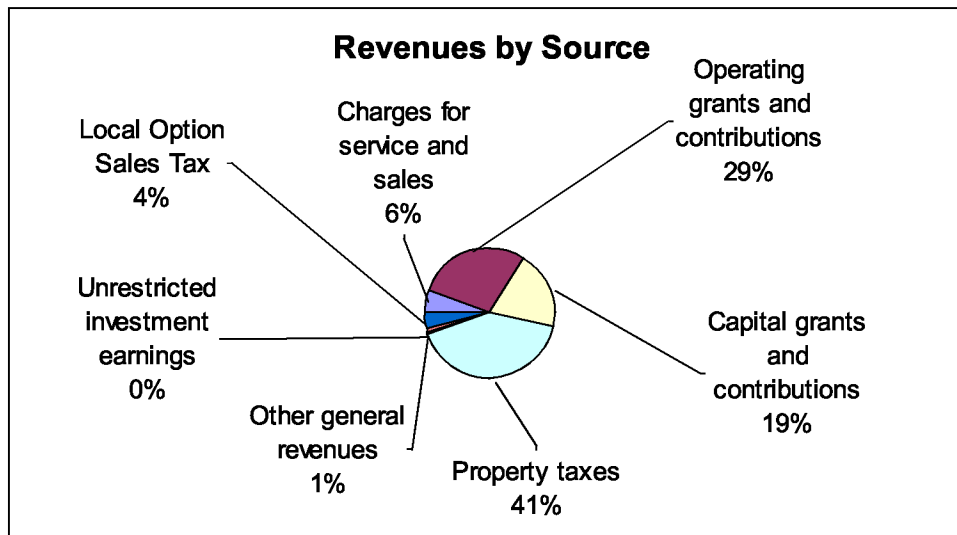
The increase in net assets of \$2,956,875 for governmental activities is mostly due to the following factors: the reconstruction of Eveland Bridge was put into service during the 2011 fiscal year at a cost of \$3,398,487 and allowable growth and community services monies were received from the state in the Mental Health Fund. These factors created a positive effect on net assets.

### Changes in Net Assets of Governmental Activities

<b>Program revenues:</b>		
Charges for Service	\$1,038,607	\$1,077,048
Operating grants and contributions	5,394,734	4,725,872
Capital grants and contributions	3,554,797	1,435,763
<b>General revenues:</b>		
Property taxes, penalties & tax credits	7,652,623	7,445,854
Unrestricted investment earnings	79,855	121,315
Local Option sales and services tax	836,409	777,459
Other general revenues	108,235	77,969
<b>Total Revenues:</b>	<b>\$18,665,260</b>	<b>\$15,661,280</b>



	2011	2010
<b>Program expenses:</b>		
Public safety and legal services	\$2,806,282	\$2,540,036
Physical health and social services	657,325	681,333
Mental health	2,562,305	2,168,030
County environment and education	642,034	741,550
Roads and transportation	6,509,856	6,278,562
Government services to residents	555,389	511,850
Administration	1,135,988	1,121,569
Non-program	837,843	912,569
Interest on long-term debt	1,363	1,433
Capital Projects		
<b>Total expenses</b>	<b>\$15,708,385</b>	<b>\$14,956,932</b>
<b>Increase (decrease) in net assets</b>	<b>2,956,875</b>	<b>704,348</b>
<b>Net assets July 1, 2010</b>	<b>\$38,945,832</b>	<b>\$38,241,484</b>
<b>Net assets June 30, 2011</b>	<b>\$41,902,707</b>	<b>\$38,945,832</b>



## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported combined fund balances of \$9,873,611. Revenue received in the County funds was \$66,104 less than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund showed a slight increase from \$5,082,776 to \$5,149,926, when compared to the prior year. Revenues in the General Fund increased \$147,340 over the prior year, due primarily to the General Supplemental Fund levy remaining at 1.40 and the General Fund at 3.50. This generated \$155,542 more in property tax based on a rise in the valuations for the year. The ending fund balance showed an increase from the prior year of \$331,123.

Mental Health revenues increased from \$2,380,460 in 2010 to \$2,965,771 in 2011. The state disbursed allowable growth factor monies to the county in fiscal year 2011 after the fund balance fell below 10% and the levy was at maximum allowed based on final 2009 fiscal year figures. As the County budgeted for the year, the levy was lowered from 1.43988 to 1.38183. Expenditures for the year totaled \$2,565,581, up \$382,590, from the year before. The Mental Health Fund showed an ending fund balance increase of \$400,190.

The Rural Services Fund property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance showed an increase of \$67,311 compared to 2010 after the full transfer to the Secondary Road Fund.

Capital Projects expenditures in the Secondary Road Fund totaled \$943,036 which included an overlay to county road G5T. A decrease of \$1,128,269 in Intergovernmental Revenue for fiscal year 2011 followed the previous year when federal stimulus money was received. Regular expenditures for the fund increased \$158,727 over the previous year. The Secondary Road Fund balance at the end of the year decreased from \$2,634,923 to \$1,721,290.

In accordance with Governmental Accounting Standards Board Statement No. 54 fund type reclassifications were implemented during the year ended June 30, 2011. The ending fund balances from the Conservation Land Acquisition Fund in the amount of \$430,339 and from the Law Enforcement Center Improvement Fund in the amount of \$836,409 were reclassified into the General Fund as of July 1, 2010.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 24, 2011 and resulted in an increase in the roads and transportation function for flood repairs and fuel costs, as well as other smaller changes. The amendment increased total budgeted disbursements for the County by \$1,024,429 and increased receipts by \$804,081. Disbursements in the capital projects function exceeded the amount budgeted prior to the amendment of the County budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY11, the County had \$31,187,723 (net of accumulated depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$3,035,520. Reconstruction of the Eveland Bridge was put into service during the fiscal year at a total value of \$3,398,487. Depreciation expense for the year ended June 30, 2011 was \$1,673,560 and total accumulated depreciation as of June 30, 2011 was \$25,820,947.

### **Capital Assets, Net of Accumulated Depreciation**

	2011	2010
Land	\$897,924	\$897,924
Construction in progress	0	278,076
Buildings and Imp	3,609,388	3,770,348
Machinery & equip	1,353,295	1,405,557
Infrastructure	25,327,116	21,800,298
TOTALS	\$31,187,723	\$28,152,203

### **Long-Term Liabilities**

At year-end, the County had \$459,257 in loans and other long term liabilities compared to \$413,717 a year ago, as shown below.

Annual payments continue to be made on the Intermediary Relending Program Loan from the USDA. Liability for Other Postemployment Benefits (OPEB) was added to the debt schedule in 2009 through the implementation of GASB Statement No. 45, (Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions). This reflects the liability the county incurs from medical benefits provided for retirees.

### **Outstanding Debt at Year End**

	2011	2010
Intermediary Relending Program Loan	132,108	139,205
Compensated Absences	199,149	188,512
Net OPEB Liability	128,000	86,000
TOTALS	459,257	413,717

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$15,641,092 compared to \$15,897,443 in 2011, a decrease of approximately 1.61% over the final 2011 budget. Budgeted Secondary Road Capital Projects showed a decrease of \$616,500 compared to 2011.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Mahaska County, at 106 S. 1<sup>st</sup> St., Oskaloosa, IA 52577.

## Basic Financial Statements

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 11,373,062
Investments held by fiscal agent	6,605
Receivables:	
Property tax:	
Delinquent	11,252
Succeeding year	7,087,000
Interest and penalty on property tax	82,052
Accounts	110,968
Accrued interest	14,040
Due from other governments	471,484
Inventories	389,214
Loans receivable (note 4)	267,474
Capital assets, net of accumulated depreciation (note 5)	<u>31,187,723</u>
<b>Total assets</b>	<u>51,000,874</u>
<b>Liabilities</b>	
Accounts payable	494,779
Salaries and benefits payable	64,818
Due to other governments (note 6)	658,760
Accrued interest payable	550
Incurred but not reported health claims (note 11)	225,000
Deferred revenue:	
Succeeding year property tax	7,087,000
Other	108,003
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Intermediary relending program loan	7,168
Compensated absences	199,149
Portion due or payable after one year:	
Intermediary relending program loan	124,940
Net OPEB liability	<u>128,000</u>
<b>Total liabilities</b>	<u>9,098,167</u>

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 31,187,723
Restricted for:	
Supplemental levy purposes	1,373,843
Cemetery levy purposes	7,556
Mental health purposes	992,817
Rural services purposes	453,488
Secondary roads purposes	1,593,708
Conservation purposes	569,831
Other purposes	523,267
Unrestricted	<u>5,200,474</u>
Total net assets	\$ <u><u>41,902,707</u></u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,806,282	\$ 212,307	\$ 269,843	\$ -	\$ (2,324,132)
Physical health and social services	657,325	9,450	157,166	-	(490,709)
Mental health	2,562,305	11,777	1,734,768	-	(815,760)
County environment and education	642,034	66,913	81,601	-	(493,520)
Roads and transportation	6,509,856	386,194	3,143,135	3,554,797	574,270
Government services to residents	555,389	330,149	307	-	(224,933)
Administration	1,135,988	21,817	7,914	-	(1,106,257)
Non-program	837,843	-	-	-	(837,843)
Interest on long-term debt	1,363	-	-	-	(1,363)
Total	\$ 15,708,385	\$ 1,038,607	\$ 5,394,734	\$ 3,554,797	(5,720,247)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,330,295
Penalty and interest on property tax					70,181
State tax credits					252,147
Local option sales and services tax					836,409
Unrestricted investment earnings					79,855
Miscellaneous					108,235
Total general revenues					8,677,122
Change in net assets					2,956,875
Net assets beginning of year					38,945,832
Net assets end of year					\$ 41,902,707

See notes to financial statements.



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MAHASKA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 6,210,814	\$ 1,548,933	\$ 486,977	\$ 1,366,488
Investment held by fiscal agent	6,605	-	-	-
Receivables:				
Property tax:				
Delinquent	6,848	2,043	2,361	-
Succeeding year	3,924,000	1,171,000	1,992,000	-
Interest and penalty on property tax	82,052	-	-	-
Accounts	50,568	30,434	1,200	23,490
Accrued interest	9,204	-	-	-
Due from other governments	13,491	23,839	-	301,900
Inventories	-	-	-	389,214
Loans receivable (note 4)	-	-	-	-
Total assets	<u>\$ 10,303,582</u>	<u>\$ 2,776,249</u>	<u>\$ 2,482,538</u>	<u>\$ 2,081,092</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 490,452	\$ 10,103,664
-	6,605
-	11,252
-	7,087,000
-	82,052
864	106,556
4,836	14,040
132,254	471,484
-	389,214
<u>267,474</u>	<u>267,474</u>
<u>\$ 895,880</u>	<u>\$ 18,539,341</u>

MAHASKA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 90,360	\$ 65,633	\$ 1,072	\$ 337,714
Salaries and benefits payable	36,862	3,396	2,472	22,088
Due to other governments (note 6)	-	526,506	-	-
Deferred revenue:				
Succeeding year property tax	3,924,000	1,171,000	1,992,000	-
Other	88,540	2,008	2,351	-
Total liabilities	<u>4,139,762</u>	<u>1,768,543</u>	<u>1,997,895</u>	<u>359,802</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	389,214
Restricted for:				
Supplemental levy purposes	1,426,671	-	-	-
Cemetery levy purposes	7,547	-	-	-
Mental health purposes	-	1,007,706	-	-
Rural services purposes	-	-	484,643	-
Secondary roads purposes	-	-	-	1,332,076
Courthouse security	79,222	-	-	-
Conservation purposes	462,130	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Future conservation nature center	20,000	-	-	-
Public safety purposes	928,299	-	-	-
Unassigned	2,989,951	-	-	-
Total fund balances	<u>6,163,820</u>	<u>1,007,706</u>	<u>484,643</u>	<u>1,721,290</u>
Total liabilities and fund balances	<u>\$ 10,303,582</u>	<u>\$ 2,776,249</u>	<u>\$ 2,482,538</u>	<u>\$ 2,081,092</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 494,779
-	64,818
132,254	658,760
-	7,087,000
267,474	360,373
<u>399,728</u>	<u>8,665,730</u>
-	389,214
-	1,426,671
-	7,547
-	1,007,706
-	484,643
-	1,332,076
-	79,222
107,701	569,831
388,451	388,451
-	15,000
-	35,000
-	200,000
-	20,000
-	928,299
-	2,989,951
<u>496,152</u>	<u>9,873,611</u>
<u>\$ 895,880</u>	<u>\$ 18,539,341</u>

## MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

Total fund balances of governmental funds	\$ 9,873,611
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$57,008,670 and the accumulated depreciation is \$25,820,947.	31,187,723
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	360,373
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	940,807
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(550)
Long-term liabilities, including loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(459,257)</u>
Net assets of governmental activities	<u>\$ 41,902,707</u>
See notes to financial statements.	

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MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,184,659	\$ 1,178,734	\$ 1,967,494	\$ -
Interest and penalty on property tax	63,900	-	-	-
Intergovernmental	539,122	1,775,260	96,277	3,239,225
Licenses and permits	1,378	-	11,775	5,620
Charges for service	513,177	-	400	-
Use of money and property	207,984	-	-	-
Miscellaneous	119,459	11,777	28,539	380,574
Total revenues	<u>5,629,679</u>	<u>2,965,771</u>	<u>2,104,485</u>	<u>3,625,419</u>
Expenditures:				
Operating:				
Public safety and legal services	2,556,724	-	258,255	-
Physical health and social services	592,816	-	64,066	-
Mental health	-	2,565,581	-	-
County environment and education	467,893	-	161,232	-
Roads and transportation	-	-	2,263	5,292,301
Government services to residents	511,322	-	-	-
Administration	1,019,093	-	3,703	-
Non-program	1,434	-	-	-
Debt service	-	-	-	-
Capital projects	644	-	-	943,036
Total expenditures	<u>5,149,926</u>	<u>2,565,581</u>	<u>489,519</u>	<u>6,235,337</u>
Excess (deficiency) of revenues over (under) expenditures	479,753	400,190	1,614,966	(2,609,918)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	1,696,285
Interfund transfers out (note 3)	(148,630)	-	(1,547,655)	-
Total other financing sources (uses)	<u>(148,630)</u>	<u>-</u>	<u>(1,547,655)</u>	<u>1,696,285</u>
Net change in fund balances	331,123	400,190	67,311	(913,633)
Fund balances beginning of year, as restated (note 14)	<u>5,832,697</u>	<u>607,516</u>	<u>417,332</u>	<u>2,634,923</u>
Fund balances end of year	<u>\$ 6,163,820</u>	<u>\$ 1,007,706</u>	<u>\$ 484,643</u>	<u>\$ 1,721,290</u>

See notes to financial statements.



	<u>Nonmajor</u>	<u>Total</u>
\$	836,409	\$ 8,167,296
	-	63,900
	48,356	5,698,240
	-	18,773
	3,501	517,078
	16,856	224,840
	-	540,349
	<u>905,122</u>	<u>15,230,476</u>
	6,244	2,821,223
	-	656,882
	-	2,565,581
	2,096	631,221
	-	5,294,564
	2,978	514,300
	-	1,022,796
	836,409	837,843
	8,490	8,490
	-	943,680
	<u>856,217</u>	<u>15,296,580</u>
	48,905	(66,104)
	-	1,696,285
	-	<u>(1,696,285)</u>
	<u>-</u>	<u>-</u>
	48,905	(66,104)
	<u>447,247</u>	<u>9,939,715</u>
\$	<u><u>496,152</u></u>	<u><u>\$ 9,873,611</u></u>

## MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (66,104)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

	Expenditures for capital assets	\$ 1,174,429	
Capital assets contributed by the Iowa Department of Transportation		3,534,651	
Depreciation expense		<u>(1,673,560)</u>	3,035,520

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

	Property tax	(592)	
Loan payments		(31,977)	
Other		<u>(69,663)</u>	(102,232)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 7,097

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

	Compensated absences	(10,637)	
Net OPEB liability		(42,000)	
Interest on long-term debt		<u>30</u>	(52,607)

The Internal Service Fund is used by management to charge the costs of  
the self funding of the County's health insurance benefit plan to individual  
funds. The change in net assets of the Internal Service Fund is reported  
with governmental activities. 135,201

Change in net assets of governmental activities \$ 2,956,875

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,269,398
Accounts receivable	<u>4,412</u>
Total assets	<u>1,273,810</u>
Liabilities	
Incurred but not reported health claims (note 11)	225,000
Deferred revenue	<u>108,003</u>
Total liabilities	<u>333,003</u>
Net Assets	
Unrestricted	<u><u>\$ 940,807</u></u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,526,316
Stop loss reimbursements	<u>23,091</u>
Total operating revenues	<u>1,549,407</u>
Operating expenses:	
Medical claims	1,114,211
Insurance premiums	266,775
Administrative fees	13,037
Miscellaneous	<u>22,548</u>
Total operating expenses	<u>1,416,571</u>
Operating income	132,836
Non-operating revenues:	
Interest on investments	<u>2,365</u>
Net income	135,201
Net assets beginning of year	<u>805,606</u>
Net assets end of year	<u>\$ 940,807</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,530,355
Cash received from stop loss reimbursements	18,679
Cash payments to suppliers for services	<u>(1,306,571)</u>
Net cash provided by operating activities	<u>242,463</u>
Cash flows from investing activities:	
Interest on investments	<u>2,365</u>
Net increase in cash and cash equivalents	244,828
Cash and cash equivalents beginning of year	<u>1,024,570</u>
Cash and cash equivalents end of year	<u>\$ 1,269,398</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 132,836
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(4,412)
Increase in incurred but not reported health claims	110,000
Increase in deferred revenue	<u>4,039</u>
Net cash provided by operating activities	<u>\$ 242,463</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

## Assets

Cash and pooled investments:	
County Treasurer	\$ 1,705,630
Other County officials	112,752
Receivables:	
Property tax:	
Delinquent	44,641
Succeeding year	22,682,000
Accounts	34,174
Accrued interest	5,804
Due from other governments	<u>8,101</u>
Total assets	<u>\$ 24,593,102</u>

## Liabilities

Accounts payable	\$ 204,261
Salaries and benefits payable	8,992
Due to other governments (note 6)	24,265,732
Trusts payable	65,932
Compensated absences	<u>48,185</u>
Total liabilities	<u>\$ 24,593,102</u>

See notes to financial statements.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Mahaska County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mahaska County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Mahaska County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2011.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Mahaska County Assessor's Conference Board, Mahaska County Emergency Management Commission, and Mahaska County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.



MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles	\$ 125,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the proprietary fund consists of prepaid health insurance charges.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment of the budget.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

During the two years ended June 30, 2009, the County transferred a total of \$252,716 received by the County through an estate bequest to a local non-profit organization (Foundation). The original \$252,716 investment was transferred back to the County during the year ended June 30, 2011. At June 30, 2011, the carrying amount and fair value of the remaining balance was \$6,605. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 148,630
	Special Revenue: Rural Services	<u>1,547,655</u>
		<u>\$ 1,696,285</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Loans Receivable

The County has \$612,199 available to use for revolving loans for economic development within the County, of which \$267,474 was loaned at June 30, 2011. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2011, there were five outstanding loans. All payments are current.

Mahaska Community Development Group – 5% interest loan payable in monthly installments of \$384.97, including interest.

Beyond Elegance – 4% loan payable in monthly installments of \$818.07, including interest, with an \$80,124 balloon payment on April 1, 2016.

Randau Family Agency – 4% interest loan payable in monthly installments of \$184.92, including interest.

Limo 4 U – 5.75% interest loan payable in monthly installments of \$111.57, including interest.

Sterling Properties – 4.25% interest loan payable in monthly installments of \$1,024.38, including interest.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 4. Loans Receivable (continued)

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Mahaska Community Development Group	Beyond Elegance	Randau Family Agency
2012	\$ 4,620	\$ 9,817	\$ 2,219
2013	4,620	9,817	2,219
2014	4,620	9,817	2,219
2015	4,620	9,817	2,219
2016	4,620	88,304	2,219
2017-2021	23,098	-	11,095
2022-2026	23,098	-	555
2027	3,463	-	-
	<u>\$ 72,759</u>	<u>\$ 127,572</u>	<u>\$ 22,745</u>

Year Ending June 30,	Limo 4 U	Sterling Properties	Less: Amount Representing Interest	Total
2012	\$ 1,339	\$ 12,293	\$ (11,109)	\$ 19,179
2013	1,339	12,293	(10,250)	20,038
2014	892	12,293	(9,366)	20,475
2015	-	12,293	(8,498)	20,451
2016	-	12,293	(7,088)	100,348
2017-2021	-	40,973	(11,776)	63,390
2022-2026	-	-	(3,452)	20,201
2027	-	-	(71)	3,392
	<u>\$ 3,570</u>	<u>\$ 102,438</u>	<u>\$ (61,610)</u>	<u>\$ 267,474</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 897,924	\$ -	\$ -	\$ 897,924
Construction in progress	278,076	8,654	286,730	-
Total capital assets not being depreciated	<u>1,176,000</u>	<u>8,654</u>	<u>286,730</u>	<u>897,924</u>
Capital assets being depreciated:				
Buildings	7,980,247	-	-	7,980,247
Machinery and equipment	6,832,513	373,218	308,279	6,897,452
Infrastructure	36,619,109	4,613,938	-	41,233,047
Total capital assets being depreciated	<u>51,431,869</u>	<u>4,987,156</u>	<u>308,279</u>	<u>56,110,746</u>
Less accumulated depreciation for:				
Buildings	4,209,899	160,960	-	4,370,859
Machinery and equipment	5,426,956	425,480	308,279	5,544,157
Infrastructure	14,818,811	1,087,120	-	15,905,931
Total accumulated depreciation	<u>24,455,666</u>	<u>1,673,560</u>	<u>308,279</u>	<u>25,820,947</u>
Total capital assets being depreciated, net	<u>26,976,203</u>	<u>3,313,596</u>	<u>-</u>	<u>30,289,799</u>
Governmental activities capital assets, net	<u>\$ 28,152,203</u>	<u>\$ 3,322,250</u>	<u>\$ 286,730</u>	<u>\$ 31,187,723</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Public safety and legal services	\$ 68,535
County environment and education	54,360
Roads and transportation	1,368,851
Government services to residents	48,449
Administration	<u>133,365</u>
Total depreciation expense - governmental activities	<u>\$ 1,673,560</u>



MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 526,506
Local Option Sales and Services Tax Revenue		<u>132,254</u>
Total for governmental funds		<u>\$ 658,760</u>
Agency:		
County Assessor	Collections	\$ 712,442
County Hospital		1,859,646
Schools		13,905,305
Area Schools		767,891
Townships		302,466
Corporations		5,468,444
Stephens Memorial Animal Shelter		473,913
Auto License and Use Tax		472,889
All Other		<u>302,736</u>
Total for agency funds		<u>\$ 24,265,732</u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Intermediary Relending Program Loan</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 139,205	\$ 188,512	\$ 86,000	\$ 413,717
Increases	-	199,149	42,000	241,149
Decreases	<u>7,097</u>	<u>188,512</u>	<u>-</u>	<u>195,609</u>
Balance end of year	<u>\$ 132,108</u>	<u>\$ 199,149</u>	<u>\$ 128,000</u>	<u>\$ 459,257</u>
Due within one year	<u>\$ 7,168</u>	<u>\$ 199,149</u>	<u>\$ -</u>	<u>\$ 206,317</u>

# MAHASKA COUNTY

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

### Note 7. Long-Term Liabilities (continued)

#### Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must first repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the County's June 30, 2011 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 7,168	\$ 1,321	\$ 8,489
2013	7,240	1,249	8,489
2014	7,312	1,177	8,489
2015	7,385	1,104	8,489
2016	7,459	1,030	8,489
2017-2021	38,429	4,016	42,445
2022-2026	40,389	2,056	42,445
2027-2028	16,726	251	16,977
	<u>\$ 132,108</u>	<u>\$ 12,204</u>	<u>\$ 144,312</u>

### Note 8. Other Postemployment Benefits (OPEB)

**Plan Description** – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 8. Other Postemployment Benefits (OPEB)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 51,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(3,000)</u>
Annual OPEB cost	51,000
Contributions made	<u>(9,000)</u>
Increase in net OPEB obligation	42,000
Net OPEB obligation beginning of year	<u>86,000</u>
Net OPEB obligation end of year	<u><u>\$ 128,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$9,000 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 51,000	17.6%	\$ 128,000

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$445,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$445,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,120,000 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 8. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$580 per month for retirees less than age 55, \$754 per month for retirees aged 55 to 59, and \$928 per month for retirees aged 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$343,001, \$304,507 and \$284,486, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Mahaska County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool with ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers compensation. There have been no reductions in insurance coverage from prior years.

## MAHASKA COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

#### Note 10. Risk Management (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$192,066.

Initial risk of loss is retained by the Pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2011, the Pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$25,000 (\$50,000 for County Treasurer). The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Note 11. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with First Administrators. The agreement, which was effective July 1, 2009, is subject to automatic renewal provisions.

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 11. Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to First Administrators from the Mahaska County Employee Group Health Fund. MidWestOne Bank, trustee for the plan, administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and MidWestOne Bank. The County records the plan assets and related liabilities for the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$1,158,879.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$225,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$940,807 at June 30, 2011 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 115,000
Incurred claims (including claims incurred but not reported at June 30, 2011)	1,114,211
Payments	<u>(1,004,211)</u>
Unpaid claims at June 30, 2011	<u>\$ 225,000</u>

Note 12. Construction Commitment

The County has entered into various contracts totaling \$333,803 for Courthouse tuckpointing and culvert repairs. As of June 30, 2011, work on the projects had not yet begun.

Note 13. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a one year period which ends June 30, 2011. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

# MAHASKA COUNTY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2011

### Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

		Nonmajor - Special Revenue	
		Conservation Land Acquisition	Law Enforcement Center Improvement
	General		
Balances June 30, 2010, as previously reported	\$ 4,565,949	\$ 430,339	\$ 836,409
Change in fund type classification per implementation of GASB Statement No. 54	<u>1,266,748</u>	<u>(430,339)</u>	<u>(836,409)</u>
Balances July 1, 2010, as restated	<u>\$ 5,832,697</u>	<u>\$ -</u>	<u>\$ -</u>

### Note 15. Contingent Liabilities

#### Lawsuit

The County is the defendant in an ongoing lawsuit which is on appeal to the Iowa Court of Appeals. The outcome of the appeal can not be determined at this time. Prior summary judgments ruled in favor of the County. The County's insurance carrier is providing coverage for the lawsuit.

#### Hospital Revenue Bonds

In 2001, the County Hospital issued \$8,715,000 of Hospital Revenue Bonds in the name of County of Mahaska in accordance with Chapters 347A.1, 331 division IV, part 4, and 347.14(4) of the Code of Iowa. These bonds are payable solely from net revenues generated by the Hospital and are not a general obligation of the County. However, according to Chapter 347A.3 of the Code of Iowa, if in any year, after payment of the accruing interest on and principal due of revenue bonds issued under chapter 331, division IV, part 4, and payable from the revenues derived from the operation of the County Hospital, there is a balance of such revenues insufficient to pay the expenses of operation, maintenance, and funded depreciation of the Hospital, the Board of Hospital Trustees shall certify that fact as soon as ascertained to the Board of Supervisors of the County, and the Board of Supervisors shall make the amount of the deficiency for paying the expenses of operation, maintenance, and funded depreciation of the Hospital available from other County funds or shall levy a tax not to exceed one dollar and eight cents per thousand dollars of assessed value in any one year on all the taxable property in the County in an amount sufficient for that purpose. However, general County funds or the proceeds of taxes shall not be used or applied to the payment of the interest on or principal of revenue bonds issued under chapter 331, division IV, part 4, but general County funds or proceeds of taxes may only be used and applied to pay expenses of operation, maintenance, and funded depreciation of the Hospital which cannot be paid from available revenue derived from its operation. As of the audit report date, the County Hospital had not notified the County of any deficiency. The balance remaining on the bonds was \$5,505,000 at June 30, 2011.

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

**Note 16. Subsequent Events**

On August 1, 2011, the County entered into a contract totaling \$185,216 for a flood repair project.

On March 5, 2012, the County entered into a contract totaling \$383,536 for a bridge replacement.



## Required Supplementary Information

# MAHASKA COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2011

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 8,163,649	\$ 8,389,889	\$ 8,392,182	\$ (228,533)
Interest and penalty on property tax	64,299	9,700	30,248	34,051
Intergovernmental	5,714,084	4,762,460	5,505,348	208,736
Licenses and permits	17,658	23,950	23,950	(6,292)
Charges for service	560,358	547,600	557,816	2,542
Use of money and property	241,240	568,394	568,394	(327,154)
Miscellaneous	562,985	355,850	383,986	178,999
Total receipts	<u>15,324,273</u>	<u>14,657,843</u>	<u>15,461,924</u>	<u>(137,651)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	2,870,522	2,832,419	2,980,968	110,446
Physical health and social services	662,609	797,842	827,942	165,333
Mental health	2,282,162	2,698,263	2,698,263	416,101
County environment and education	634,007	946,164	946,914	312,907
Roads and transportation	5,525,361	4,919,500	5,567,931	42,570
Government services to residents	525,914	596,189	596,635	70,721
Administration	1,035,741	1,350,576	1,350,576	314,835
Non-program	834,009	931,500	931,500	97,491
Debt service	8,490	8,490	8,490	-
Capital projects	943,680	816,500	1,012,653	68,973
Total disbursements	<u>15,322,495</u>	<u>15,897,443</u>	<u>16,921,872</u>	<u>1,599,377</u>
Excess (deficiency) of receipts over (under) disbursements	1,778	(1,239,600)	(1,459,948)	1,461,726
Balance beginning of year	<u>10,108,491</u>	<u>8,848,350</u>	<u>8,848,350</u>	<u>1,260,141</u>
Balance end of year	<u>\$ 10,110,269</u>	<u>\$ 7,608,750</u>	<u>\$ 7,388,402</u>	<u>\$ 2,721,867</u>

See accompanying independent auditor's report.

# MAHASKA COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,324,273	\$ (93,797)	\$ 15,230,476
Expenditures	15,322,495	(25,915)	15,296,580
Net	1,778	(67,882)	(66,104)
Beginning fund balances	10,108,491	(168,776)	9,939,715
Ending fund balances	<u>\$ 10,110,269</u>	<u>\$ (236,658)</u>	<u>\$ 9,873,611</u>

See accompanying independent auditor's report.

## MAHASKA COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,024,429. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment of the budget.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2009	July 1, 2009	\$ -	\$ 445	\$ 445	0.0%	\$ 3,844	11.6%
2010	July 1, 2009	-	445	445	0.0%	3,936	11.3%
2011	July 1, 2009	-	445	445	0.0%	4,120	10.8%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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## Other Supplementary Information

MAHASKA COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

		Special Revenue		
		County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
<b>Assets</b>				
Cash and pooled investments	\$	27,864	\$ 106,639	\$ 341,258
Receivables:				
Accounts		864	-	-
Accrued interest		307	1,062	3,467
Due from other governments		-	-	-
Loans receivable		-	-	267,474
Total assets	\$	<u>29,035</u>	\$ <u>107,701</u>	\$ <u>612,199</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Due to other governments	\$	-	\$ -	\$ -
Deferred revenue:				
Other		-	-	267,474
Total liabilities		-	-	267,474
<b>Fund balances:</b>				
Restricted for:				
Conservation purposes		-	107,701	-
Other purposes		29,035	-	344,725
Total fund balances		<u>29,035</u>	<u>107,701</u>	<u>344,725</u>
Total liabilities and fund balances	\$	<u>29,035</u>	\$ <u>107,701</u>	\$ <u>612,199</u>

See accompanying independent auditor's report.



Local Option Sales and Services Tax Revenue	County Sheriff's Forfeiture	Total
\$ -	\$ 14,691	\$ 490,452
-	-	864
-	-	4,836
132,254	-	132,254
-	-	267,474
<u>\$ 132,254</u>	<u>\$ 14,691</u>	<u>\$ 895,880</u>
\$ 132,254	\$ -	\$ 132,254
-	-	267,474
<u>132,254</u>	<u>-</u>	<u>399,728</u>
-	-	107,701
-	14,691	388,451
<u>-</u>	<u>14,691</u>	<u>496,152</u>
<u>\$ 132,254</u>	<u>\$ 14,691</u>	<u>\$ 895,880</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
Revenues:			
Property and other County tax	\$ -	\$ -	\$ -
Intergovernmental	-	16,382	31,974
Charges for service	3,501	-	-
Use of money and property	307	1,062	15,487
Total revenues	<u>3,808</u>	<u>17,444</u>	<u>47,461</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	1,096	1,000
Government services to residents	2,978	-	-
Non-program	-	-	-
Debt service	-	-	8,490
Total expenditures	<u>2,978</u>	<u>1,096</u>	<u>9,490</u>
Excess (deficiency) of revenues over (under) expenditures	830	16,348	37,971
Fund balances beginning of year	<u>28,205</u>	<u>91,353</u>	<u>306,754</u>
Fund balances end of year	\$ <u><u>29,035</u></u>	\$ <u><u>107,701</u></u>	\$ <u><u>344,725</u></u>

See accompanying independent auditor's report.

Local Option Sales and Services Tax Revenue		County Sheriff's Forfeiture	Total
\$	836,409	\$ -	\$ 836,409
	-	-	48,356
	-	-	3,501
	-	-	16,856
	836,409	-	905,122
	-	6,244	6,244
	-	-	2,096
	-	-	2,978
	836,409	-	836,409
	-	-	8,490
	836,409	6,244	856,217
	-	(6,244)	48,905
	-	20,935	447,247
\$	-	\$ 14,691	\$ 496,152

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2011

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	440,129
Other County officials	13,249	46,958	52,545	-
Receivables:				
Property tax:				
Delinquent	-	-	-	768
Succeeding year	-	-	-	440,000
Accounts	-	385	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 13,249</u>	<u>\$ 47,343</u>	<u>\$ 52,545</u>	<u>\$ 880,897</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 26,036	\$ -	165,834
Salaries and benefits payable	-	-	-	2,117
Due to other governments	-	21,307	-	712,442
Trusts payable	13,249	-	52,545	-
Compensated absences	-	-	-	504
Total liabilities	<u>\$ 13,249</u>	<u>\$ 47,343</u>	<u>\$ 52,545</u>	<u>\$ 880,897</u>

<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Townships</u>	<u>Corporations</u>	<u>Lynndana Sanitary Sewer District</u>
\$ 1,880	\$ 18,439	\$ 135,447	\$ 7,545	\$ 3,085	\$ 44,695	\$ 9
-	-	-	-	-	-	-
327	3,207	24,858	1,346	381	13,749	-
187,000	1,838,000	13,745,000	759,000	299,000	5,410,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 189,207</u>	<u>\$ 1,859,646</u>	<u>\$ 13,905,305</u>	<u>\$ 767,891</u>	<u>\$ 302,466</u>	<u>\$ 5,468,444</u>	<u>\$ 1,009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
189,207	1,859,646	13,905,305	767,891	302,466	5,468,444	1,009
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 189,207</u>	<u>\$ 1,859,646</u>	<u>\$ 13,905,305</u>	<u>\$ 767,891</u>	<u>\$ 302,466</u>	<u>\$ 5,468,444</u>	<u>\$ 1,009</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 29	\$ 984	\$ (1,595)	\$ 479,007
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	5	-	-	-
Succeeding year	3,000	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	4,787
Due from other governments	-	-	-	-
Total assets	<u>\$ 3,034</u>	<u>\$ 984</u>	<u>\$ (1,595)</u>	<u>\$ 483,794</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 2,775	\$ 8,165
Salaries and benefits payable	-	-	917	1,122
Due to other governments	3,034	984	(5,287)	473,913
Trusts payable	-	-	-	-
Compensated absences	-	-	-	594
Total liabilities	<u>\$ 3,034</u>	<u>\$ 984</u>	<u>\$ (1,595)</u>	<u>\$ 483,794</u>

See accompanying independent auditor's report.

<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 472,889	\$ 43	\$ 102,050	\$ 138	\$ 856	\$ 1,705,630
-	-	-	-	-	112,752
-	-	-	-	-	44,641
-	-	-	-	-	22,682,000
-	-	32,875	-	914	34,174
-	-	1,017	-	-	5,804
-	-	8,101	-	-	8,101
<u>\$ 472,889</u>	<u>\$ 43</u>	<u>\$ 144,043</u>	<u>\$ 138</u>	<u>\$ 1,770</u>	<u>\$ 24,593,102</u>
\$ -	\$ -	\$ 1,451	\$ -	\$ -	\$ 204,261
-	-	4,836	-	-	8,992
472,889	43	90,669	-	1,770	24,265,732
-	-	-	138	-	65,932
-	-	47,087	-	-	48,185
<u>\$ 472,889</u>	<u>\$ 43</u>	<u>\$ 144,043</u>	<u>\$ 138</u>	<u>\$ 1,770</u>	<u>\$ 24,593,102</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2011

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 55,606	\$ 100,188	\$ 683,753
Additions:				
Property and other County tax	-	-	-	441,545
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	11,245
Federal grants	-	-	-	-
Office fees and collections	-	283,372	135,639	336
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	5,749	-	326,331	-
Miscellaneous	-	-	-	102
Total additions	5,749	283,372	461,970	453,228
Deductions:				
Agency remittances:				
To other funds	-	129,390	163,111	-
To other governments	-	162,245	10,743	256,084
Trusts paid out	-	-	335,759	-
Total deductions	-	291,635	509,613	256,084
Balances end of year	\$ 13,249	\$ 47,343	\$ 52,545	\$ 880,897



<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Townships</u>	<u>Corporations</u>	<u>Lynndana Sanitary Sewer District</u>
\$ 190,399	\$ 1,865,565	\$ 13,871,988	\$ 763,742	\$ 292,627	\$ 5,175,086	\$ 1,007
187,857	1,848,741	13,795,652	763,917	304,864	5,285,199	1,081
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,488	63,612	472,766	26,049	10,459	161,969	50
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
194,345	1,912,353	14,268,418	789,966	315,323	5,447,168	1,131
-	-	-	-	-	-	-
195,537	1,918,272	14,235,101	785,817	305,484	5,153,810	1,129
-	-	-	-	-	-	-
195,537	1,918,272	14,235,101	785,817	305,484	5,153,810	1,129
\$ 189,207	\$ 1,859,646	\$ 13,905,305	\$ 767,891	\$ 302,466	\$ 5,468,444	\$ 1,009

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2011

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter	Auto License and Use Tax
<b>ASSETS AND LIABILITIES</b>					
Balances beginning of year	\$ 3,034	\$ 2,217	\$ 29,705	\$ 463,346	\$ 488,548
Additions:					
Property and other County tax	2,897	-	-	-	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	100	-	-	-	-
Federal grants	-	-	18,160	7,559	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	-	85,285
Auto licenses, use tax and postage	-	-	-	-	5,539,057
Interest	-	-	-	4,787	-
Assessments	-	37,167	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	89,474	189,942	-
Total additions	2,997	37,167	107,634	202,288	5,624,342
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	267,182
To other governments	2,997	38,400	138,934	181,840	5,372,819
Trusts paid out	-	-	-	-	-
Total deductions	2,997	38,400	138,934	181,840	5,640,001
Balances end of year	\$ 3,034	\$ 984	\$ (1,595)	\$ 483,794	\$ 472,889

See accompanying independent auditor's report.

<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Tax Sale Redemption Trust</u>	<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 26	\$ 157,562	\$ -	\$ 84	\$ 142	\$ 2,259	\$ 24,154,384
-	-	-	-	-	-	22,631,753
-	127,626	-	-	-	-	127,626
-	406,649	-	-	-	-	406,649
-	-	-	-	-	-	752,738
-	-	-	-	-	-	25,719
-	-	-	-	-	10,399	429,746
-	-	-	-	-	-	85,285
-	-	-	-	-	-	5,539,057
-	1,017	-	-	-	8	5,812
-	-	-	-	-	-	37,167
-	-	350,607	-	42	-	682,729
373	85	-	-	-	-	279,976
373	535,377	350,607	-	42	10,407	31,004,257
146	-	-	-	-	-	559,829
210	548,896	-	-	-	10,896	29,319,214
-	-	350,607	84	46	-	686,496
356	548,896	350,607	84	46	10,896	30,565,539
\$ 43	\$ 144,043	\$ -	\$ -	\$ 138	\$ 1,770	\$ 24,593,102

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other County tax	\$ 8,167,296	\$ 7,881,505	\$ 7,814,318	\$ 7,320,629
Interest and penalty on property tax	63,900	68,370	65,469	66,920
Intergovernmental	5,698,240	6,283,676	5,158,834	5,517,349
Licenses and permits	18,773	18,124	20,994	21,247
Charges for service	517,078	551,630	552,451	592,030
Use of money and property	224,840	261,671	423,066	462,304
Miscellaneous	540,349	472,955	663,288	773,378
<b>Total</b>	<b>\$ 15,230,476</b>	<b>\$ 15,537,931</b>	<b>\$ 14,698,420</b>	<b>\$ 14,753,857</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 2,821,223	\$ 2,694,373	\$ 2,631,282	\$ 2,545,494
Physical health and social services	656,882	690,847	731,881	724,414
Mental health	2,565,581	2,182,991	2,683,269	2,716,999
County environment and education	631,221	812,289	748,640	729,400
Roads and transportation	5,294,564	5,142,227	5,540,940	5,801,883
Government services to residents	514,300	511,651	566,964	513,243
Administration	1,022,796	1,058,726	1,264,959	1,076,258
Non-program	837,843	912,569	697,285	904,052
Debt service	8,490	8,490	8,490	8,490
Capital projects	943,680	1,452,817	-	145,752
<b>Total</b>	<b>\$ 15,296,580</b>	<b>\$ 15,466,980</b>	<b>\$ 14,873,710</b>	<b>\$ 15,165,985</b>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	6,841,706	\$ 6,950,971	\$ 6,249,202
	69,288	69,879	61,651
	4,646,922	5,368,724	6,489,935
	30,934	22,931	15,963
	554,364	540,405	528,465
	670,026	432,643	251,624
	498,512	441,435	332,090
	<u>\$ 13,311,752</u>	<u>\$ 13,826,988</u>	<u>\$ 13,928,930</u>

\$	2,501,567	\$ 2,335,596	\$ 2,237,833
	796,612	767,501	809,841
	2,616,932	2,340,063	2,307,713
	695,074	967,373	572,451
	4,405,418	4,287,635	4,068,474
	510,555	641,544	468,244
	1,008,633	1,068,734	913,191
	826,746	759,880	764,545
	8,490	8,490	-
	2,357,365	1,306,207	534,746
	<u>\$ 15,727,392</u>	<u>\$ 14,483,023</u>	<u>\$ 12,677,038</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon March 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mahaska County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Mahaska County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mahaska County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Mahaska County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 15, 2012

MAHASKA COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.



MAHASKA COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-11 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties. We have been alternating duties between payroll and claims occasionally.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

I-B-11 Financial Reporting – During the audit, we noted that the June motor vehicle transactions were not recorded in the general ledger until July. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all motor vehicle transactions are properly included in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

- I-C-11 Lack of Adequate Review over Health Insurance Plan Participant Additions and Deletions – A County official placed his spouse on the County’s health insurance in fiscal year 2009 prior to meeting plan eligibility requirements. County controls in place were not effective in preventing this from happening.

Recommendation – The County should implement an independent review procedure for authorizing changes in health insurance coverage for employees and their spouses or dependents. A review of the health plan participant listing should also be performed periodically to make sure no unauthorized individuals have been added and that authorized deletions have been removed from the list.

Response – We will implement the recommended review procedures.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the capital projects function prior to the amendment of the County budget. In addition, the Emergency Management Services disbursements exceeded the amount budgeted prior to the amendment of that budget.

Recommendation – The County budget and the Emergency Management Services budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various credit cards	Credit card interest and fees	\$301

Recommendation – The County should pay the monthly balance due on the credit cards to avoid interest and late fees. All charges on the cards should be reconciled monthly to the supporting receipts or invoices and any discrepancies should be investigated immediately. The County may need to stress to employees the importance of turning in detailed credit card receipts in a timely manner.

Response – We will consider this recommendation.

Conclusion – Response accepted.

- II-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.

- II-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-G-11 Deposits and Investments – Except as noted in II-K-11, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-H-11    Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-11    County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

The County Extension organization has grant agreements with Community Action of Eastern Iowa to provide child care resource and referral services. Revenues from these grants totaled \$102,318 for the year ended June 30, 2011. They included an operational grant of \$74,318, an Educational Opportunities for Family Child Care Providers Grant of \$8,000, and a Parent Expansion Grant of \$20,000.

II-J-11    Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2011 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will try to publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded in the first week of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

II-K-11    Bequest to the Mahaska County Conservation Board – During the year ended June 30, 2008, the Mahaska County Conservation Board was named as a beneficiary in a last will and testament. The Conservation Board remitted \$130,000 of the bequest to the Greater Des Moines Community Foundation (Foundation) in the year ended June 30, 2008, and \$122,716 in the year ended June 30, 2009. The Conservation Board signed a "Designated Passthrough Fund Agreement" and a "Designated Endowment Fund Agreement" with the Foundation. Both agreements state, in part, "the Donor hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Donor's rights, title and interest in the property described." As of June 30, 2011, these funds were returned to the County but the earnings and other donations were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 350.4 of the Code of Iowa states, in part, "a County conservation board may accept in the name of the County gifts, bequests, contributions and appropriations of money and other personal property for conservation purposes."

MAHASKA COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-K-11 Bequest to the Mahaska County Conservation Board (continued)

Chapter 331.552 of the Code of Iowa states, in part, that a County shall “keep a true account of all receipts and disbursements of the County.”

A letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of giving proceeds from a gift to a private non-profit Foundation has been issued dated April 22, 2008. The letter of advice states, in part:

“...I do not believe that a board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2011, the Foundation’s investments included domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the county in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the letter of advice, does not exist. We are not aware of any statutory authority for the conservation board and/or County to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The Mahaska County Conservation Board, through its action to give these public funds to the Foundation during the two years ended June 30, 2009, has put these public funds at risk since the Board and the Foundation have not invested and accounted for the proceeds from the bequest, including all income derived from the investment of the bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 331.552 of the Code of Iowa.

The County should consult legal counsel and recover all income derived from the investment of the bequest from the time it was remitted to the Foundation.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-K-11 Bequest to the Mahaska County Conservation Board (continued)

Until the County recovers all of the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Response – As of December 2010, we have had the original funds transferred back to the County from the Foundation. We will continue to work on getting the remaining balance of \$6,605 less the endowment donations returned to the County.

Conclusion – Response accepted.

II-L-11 Financial Condition – At June 30, 2011, the Agency, Emergency Management Services Fund had a deficit cash balance of \$1,595 and other liabilities totaling \$3,692, creating a total deficit funding situation of \$5,287.

Recommendation – The County and the Emergency Management Commission need to investigate alternatives to return the fund to a sound financial condition.

Response – The deficit is due to delays in receiving federal reimbursement money. We will continue to work on eliminating this deficit.

Conclusion – Response accepted.

II-M-11 Compensated Absences – The County's compensatory time policy limits employees to no more than 30 hours of accrued compensatory time, except for the Sheriff's, E-911, conservation, and secondary roads departments. However, we noted compensated absence accruals for compensatory time for six employees exceeded this maximum amount by up to 55 hours.

Recommendation – The County should correct the compensatory time records for these employees, document the exceptions to the compensatory time rules, or amend their compensatory time policy.

Response – We will look into this matter and take the appropriate action.

Conclusion – Response accepted.